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STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

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HQ USAF FOR X0XX
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CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

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ROME FOR MFO

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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

Israel Radio quoted Israel's Ambassador to the U.N. Gabriela Shalev as saying that a three-way meeting between President Obama, PM Benjamin Netanyahu, and PA President Mahmoud Abbas is likely during the gathering of the U.N. General Assembly in New York next month. The radio later quoted Palestinian officials as saying that they

have not been invited to such talks.

All three major newspapers led with reported progress in the Gilad Shalit affair. Particular emphasis is given to German mediation efforts. Yediot quoted an Egyptian source as saying that senior members of the Iranian Revolutionary Guard have met with Hamas political leader Khaled Mashal in an attempt to thwart Shalit's release.

The media reported that PM Netanyahu will meet in London this morning with U.S. Special Envoy for Middle East Peace Senator George Mitchell to discuss the resumption of Israeli-Palestinians talks and the issue of construction freeze in the settlements. HaQaretz reported that senior U.S. officials told the newspaper they felt the talks were progressing. "We stated right from the outset what we want regarding the settlements, and we are getting close to getting this from Israel," one of them was quoted as saying. Maariv quoted senior American officials as saying that the U.S. is close to understandings with Israel on construction freeze in the settlements. Israel Radio reported that Netanyahu plans to express reservations about a construction freeze. Israel Hayom and Israel Radio quoted the British newspaper The Guardian as saying that the U.S. intends to promise to adopt a much tougher line with Iran over its alleged nuclear weapons program. The U.S., along with Britain and France, is planning to push the U.N. Security Council to expand sanctions to include Iran's oil and gas industry, a move that could cripple its economy. The Guardian reported that, in return, the Israeli Government will be expected to agree to a partial freeze on the construction of settlements.

All media quoted PM Netanyahu as saying yesterday at a press conference at 10 Downing Street that the settlements are a territorial issue that can be resolved in negotiations with the Palestinians, but that the Palestinian refusal to recognize Israel as the national home of the Jewish people is the core problem preventing a peace agreement. The Jerusalem Post quoted Netanyahu as saying: "What we are trying to achieve with the U.S. is to find a bridging formula to enable us to launch the process but enable those [Jewish] residents [of the West Bank to] continue to lead normal lives." Netanyahu added that there are 250,000 Jews beyond the Green Line who "have children who go to school, they need classrooms, kindergartens, they need a place to house families. This is very different from grabbing land. I made clear that we are not going to expropriate new land." Yediot quoted Netanyahu as saying that it is not enough to have a partner, but that the partner has to be brave. The media quoted British PM Gordon Brown as saying that the settlements are an obstacle to peace. The Jerusalem Post quoted Netanyahu as saying during the press conference that the stronger the sanctions the international community applies against Iran now, the less will be the need for using strong force later.

Electronic media reported on the passing of Democratic Massachusetts Senator Edward M. (Ted) Kennedy, the brother of the late U.S. President John F. Kennedy and the late Attorney General Robert F. Kennedy. Israel Radio noted that Ted Kennedy was a great friend of Israel. President Shimon Peres and PM Netanyahu expressed sorrow over Kennedy's death.

HaQaretz reported that the U.S. administration is said to be studying President Shimon Peres's plan for the establishment in the near future of a Palestinian state with temporary borders, with guarantees and a timetable for a permanent agreement that will include solutions on all core issues. Peres presented the plan to U.S. envoy George Mitchell as well as senior Palestinian officials and Egyptian President Hosni Mubarak. He also discussed it with PM Netanyahu and with opposition leader Knesset Member Tzipi Livni. HaQaretz reported that sources close to Peres's initiative told the daily that there is some skepticism both in Washington and in Netanyahu's Bureau as to the probability that both the Palestinians and the Netanyahu government will embrace the plan. Sources close to Netanyahu were quoted as saying that there was no chance he would accept a plan which required withdrawal from most of the West Bank as a first step. HaQaretz says that the Obama administration also fears that the split between Hamas in Gaza and Fatah in the West Bank would make such an agreement impossible to implement. HaQaretz says that, due to Palestinian concerns that temporary borders could become permanent, the U.S. will seek assurances from Israel that if

the borders function successfully, Israel will enter expedited negotiations to solve the problems of Jerusalem and the Palestinian refugees. According to HaQaretz, the U.S. administration has recently discussed Peres's ideas in preparation for a return to negotiations, assuming a solution to the settlements can be found. The main obstacle is construction in East Jerusalem, which Netanyahu says Israel will not freeze. HaQaretz presumes that the U.S. may address this obstacle in the near future by announcing that there is a disagreement with Israel on this issue and that it reserves the right to comment on expanded Jewish construction in East Jerusalem as it sees fit.

Leading media reported that yesterday Peace Now activists toured unauthorized settler outposts as a response to last week's tour of the outposts by four right-wing ministers. The 20 activists, accompanied by three Knesset members, said that the trip was aimed at reminding the government of its promise to dismantle the outposts. HaQaretz reported that DM Ehud Barak's office declined to either confirm or deny Labor Knesset Member Daniel Ben-Simon's claim that Barak had promised to evacuate all the outposts within two months.

The Jerusalem Post, Makor Rishon-Hatzofe, and the ultra-Orthodox Hamodiqa reported that yesterday Shas spiritual leader Ovadia Yosef asked visiting former U.S. President Jimmy Carter to intervene in the campaign to free Gilad Shalit. The Jerusalem Post quoted Carter as saying that he had been critical of both sides in the Israeli-Palestinian conflict. He was quoted as saying: QIQM just looking for peace.

HaQaretz reported that yesterday in London, PM Netanyahu lashed out against Breaking the Silence, an Israeli organization that collects testimonies from IDF soldiers about alleged abuse of Palestinians in the territories. The British Government had contributed funding for the group. Netanyahu also addressed the lawsuits filed in Britain against Israeli officials and senior officials for alleged war crimes over their actions in the territories. Netanyahu was quoted as saying that Israel was acting in self-defense, and that Israeli officers should not be accused of crimes, just as British officers should not be subject to lawsuits for their actions in Afghanistan or Iraq.

Media reported that DM Barak has appointed his military secretary, Brig. Gen Eitan Danguit, as the Coordinator of Government Activities in the Territories.

The Jerusalem Post reported that, after years of planning and delay, New York University is set to open a study-abroad sit in Tel Aviv starting this fall over the objections of some faculty members who oppose the program on political grounds.

The media reported that the Tel Aviv Stock Exchange is QhotQ: the blue chip TA-25 index rose more than 2% yesterday, to cross the 1,000-point barrier -- on the way up -- for the first time since the financial crisis started, Qafter weeks of almost reaching, touching, and retreating (according to HaQaretz).

Yediot ran a feature on the Israeli-Palestinian actress Hiam Abbass, who stars in the forthcoming Hollywood production Miral. The newspaper quoted her as saying that she backs the right of return for Palestinian refugees, but that she will not come back to the country herself.

Yediot quoted the U.S. technology magazine Wired as saying that last week the Israeli hacker Ehud Tenenbaum, . a.k.a. The Analyzer, confessed in a New York court that he was involved in a credit scam in which \$10 million were stolen from two U.S. banks.

Mideast:

Block Quotes:

I. "Is Obama Forcing Israel to Halt Construction of the Security Barrier?"

Correspondent Tovah Lazaroff wrote on page one of the conservative, independent Jerusalem Post (8/26): QThe U.S. could demand Israel stop work on the security barrier in the West Bank as part of its call for a freeze in settlement activity, security expert Col. (res.) Shaul Arieli speculated as he spoke with The Jerusalem Post on Tuesday.

Sources in the Prime Minister's Office disagreed, saying work on the barrier, which is designed to prevent terrorist attacks, was not part of their talks with the U.S. But it is immediately obvious to anyone looking at a map of the planned 805-km. barrier route that the 295 km. that have yet to be built are largely made up of loops around the settlement blocs of Ma'aleh Adumim, Gush Etzion and the Ariel/Kedumim area. There are no plans at this time to complete the barrier in those blocs. Such construction would, in a de facto, unilateral fashion, define the size of these blocs.... The international community has argued that if Israel wants to build a barrier to protect its citizens, it should do so along the entire Green Line. According to figures provided by the United Nations, 85% of the barrier's planned route is inside the West Bank and only 15% is on the pre-1967 armistice line. In 2004, the International Court of Justice in The Hague ruled that it was illegal for Israel to build the barrier in the West Bank.... Both [Arieli] and security sources list three clear reasons why the work has slowed down: petitions to the High Court, lack of funds in the aftermath of the Second Lebanon War, and the lull in suicide bombings that has allowed the Israeli public to forget that the barrier is a tool against terror. But Arieli and [Shlomo] Lecker [an attorney who represents Palestinians in the Ma'aleh Adumim area] also believe American pressure has played a clear role.... In the last year, security sources said, work has focused on closing the holes in the barrier around Jerusalem. But they hinted broadly that there has been a shift in planning and that routes such as the Ma'aleh Adumim loop that appeared reasonable when they were designed are no longer feasible in the current diplomatic climate.

II. "Voluntary Evacuation Now"

Former Knesset Member Avshalom Vilan wrote in the mass-circulation, pluralist Yediot Aharonot (8/26): QThe grace period of Netanyahu and Barak has long ... ended. They should now initiate a plan for voluntary evacuation-compensation. In other words, the evacuation of all settlers in the West Bank who wish to leave the territories and return to the Green Line boundaries, in exchange for a fair sum of money that would enable them to buy a house within the State of Israel and restart their lives.... The international community would welcome such an initiative and shift the main burden of diplomatic pressure towards the Palestinians and Arab states. From an internal Israeli standpoint, the real decision on the issue of the settlements and the settlers would be postponed, since the hard core of ideological settlers would continue to live in these places until the final status arrangement (this refers to less than 40,000 people of a population of over 80,000 in settlements outside the fence), and therefore the plan would receive broad support in the public. The Prime Minister would be able to pass such a plan without paying too high a political price. The right-wing government could continue to argue that it did not give up territory and did not back down from its starting positions.... Ehud Barak, as defense minister in Olmert's government, supported such a move publicly. Benjamin Netanyahu, who is trying to restore his relations with the Obama administration and appear as a leader who is pragmatic on one hand, but has also not given up his ideological dreams on the other, can connect with this plan, and adapt it to fit perfectly his political and diplomatic goals. The initiative will stand to Israel's credit, and it will no longer remain in the dangerous corner of the world's village leper, and will shift the burden of the response to the Palestinian side. Netanyahu and Barak are people who can do this.... The time has come for these two, whom in their twenties knew how to be daring, to do so again in their sixties, when the weight of national responsibility rests on their shoulders.

III. "The Americans Will Pressure -- and Obtain What They want"

Gilad Sharon, the son of former Prime Minister Ariel Sharon, wrote in Yediot Aharonot (8/26): QNo Netanyahu voter and no one who recommended him to President [Shimon Peres] as their candidate for the premiership could imagine he would continue the [settlement] freeze. For this, they could have voted Meretz.... Why is Netanyahu not thawing [construction]? There is no argument that he supports building in [the settler town of] Ariel. He already knew that this is part of the agreements with the Americans; he promised this to his voters and wants to do so.... [But] he pretends to be neutral.... The Americans respect a direct, reliable attitude and can live with the fact that Israel's stance and theirs is not the same on every issue, but they neither value nor respect those who lack principles.... The Americans will not respect the Israeli Government more than it will respect itself. Bibi, you lived in America for so many years but you didn't learn anything. When you must build, build don't talk.

IV. "The Successful Netanyahu-Barak Axis"

The nationalist, Orthodox Makor Rishon-Hatzofe editorialized (8/26): Today, with a perspective of almost five months, the successful Netanyahu-Barak axis clearly seems a success. Their working arrangements in the diplomatic domain vis-a-vis the Americans, as well as the handling of Hamastan-Gaza and Fatahstan-Judea and Samaria [i.e. the West Bank], have yielded good results and both leaders conduct points to surprising harmony between them.... Netanyahu is impeccably handling the controversy with the almost hostile U.S. administration over the settlements. His success lies in the fact that he deals with the argument in a way that doesn't turn it into a confrontation.

V. Netanyahu, Get Rid of Him

Diplomatic correspondent Aluf Benn wrote in the independent, left-leaning HaQaretz (8/26): QThe damage that [Avigdor] Lieberman is causing the country and its relations with foreign countries is getting worse, and it is similar to the farce of Amir Peretz at the Defense Ministry. Netanyahu must get a hold of himself and put an end to this. During the hot August days, usually thin on news, Lieberman is giving the media and Knesset members thirsty for comments a daily show. He is bashing Sweden, thumping Norway, clearing the Foreign Ministry of Arabs and ultra-Orthodox, making the Prime Minister out to be a fool and wasting his time in a pointless diplomatic effort -- threatening his envoys to align themselves with the official line being dictated from above or wind up on the outside. Who knows what he will announce next.... But the problem is not Lieberman's freedom of expression, which is not in question, but his conduct as foreign minister. It can be summed up as an utter failure. Foreign ministers have a dual role: furthering national interests through diplomatic exchanges with other countries, and representing the views of the international community in the domestic decision-making process. In the room where they decide war and peace, the foreign minister must sound like a statesman, just as a defense minister must present the military possibilities. Lieberman is finding it difficult to fulfill his role for a simple reason: the boycott and isolation that the world has imposed on him.... Right before the peace process is resumed and the Iranian issue comes to a head, he must immediately replace Lieberman with a more appropriate foreign minister, irrespective of the criminal investigation against the current one. It is by this that the Prime Minister's leadership will be tested.

CUNNINGHAM